

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Alexander & Alexander Services, Inc., (Claimant) vs. J.P. Morgan Securities, Inc. and Joseph Warwick, (Respondents)

Case Number: 99-00781

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimant, Alexander & Alexander Services, Inc., hereinafter referred to as "Claimant": Robert J. Hausen, Esq., Robert J. Hausen, P.C., New York, NY. Previously represented by: Donald I. Strauber, Esq., Chadbourne & Parke LLP, New York, NY and Shand S. Stephens, Esq., a sole practitioner, San Francisco, CA.

Respondent, J.P. Morgan Securities, Inc. ("Morgan"): Howard B. Levi, Esq., Levi Lubarsky & Feigenbaum LLP, New York, NY.

Respondent, Joseph Warwick ("Warwick"): George C. Covington, Esq., Kennedy Covington, Charlotte, NC.

CASE INFORMATION

Statement of Claim filed on or about: February 22, 1999.

Claimant signed the Uniform Submission Agreement: March 23, 1999.

Statement of Answer filed by Morgan on or about: May 27, 1999.

Morgan signed the Uniform Submission Agreement: May 24, 1999.

Statement of Answer filed by Warwick on or about: May 27, 1999.

Warwick signed the Uniform Submission Agreement: May 27, 1999.

CASE SUMMARY

Claimant asserted the following causes of action: unsuitability; breach of fiduciary duty; wrongful inducement of breach of fiduciary duty; failure to supervise; respondent superior; control person liability; and commercial bribery. Claimant's claim involved various derivatives and structured notes.

Unless specifically admitted in its Answer, Morgan denied the allegations made in the Statement of Claim and asserted the following defenses: the Statement of Claim fails to state any claims upon which relief may be granted; Claimant's claims against Morgan are barred, in whole or in part, by one or more applicable statute of limitation and under the doctrine of laches; Morgan did not act with any intent to deceive, manipulate, or defraud, or in any reckless manner; Morgan did not make any false or misleading representations to Claimant, or fail to share any material facts; all material information and risks relating to the transactions at issue were fully disclosed to Claimant; any matters allegedly misrepresented or omitted by Morgan were not material to Claimant's decision to enter into the transactions at issue in this case; Claimant did not rely, or unreasonably relied, on any alleged misrepresentations or omissions by Morgan; Claimant had knowledge of, authorized, and/or ratified all of the transactions at issue in this case; Claimant's claims are barred under the principles of waiver and/or estoppel; any damage or loss supposedly incurred by Claimant was the proximate result, in whole or in part, of its own negligent and/or reckless and/or intentional conduct or omissions; Claimant failed to advise Morgan or Warwick of any restrictions or limitations on its employee's authority to engage in the transactions at issue; any decline in, or loss of, the value of Claimant's investment from the transactions at issue was not proximately caused by any alleged misrepresentations or omissions by Morgan; neither Morgan nor Warwick owed any fiduciary duty to Claimant; there is no private right of action for failure to supervise; Morgan's supervision of Warwick was reasonable under the circumstances; Claimant's claims based on alleged commercial bribery are barred because New York Penal Law Section 180.00 et seq. does not provide any private right of action for damages in a civil suit or proceeding; Claimant's claims based on alleged commercial bribery and NASD Conduct Rule 3060 are barred because neither Warwick nor Morgan acted with any intent to influence the conduct of Claimant's employee; and Claimant has no standing to assert claims for some or all of the damages alleged in this proceeding.

Unless specifically admitted in his Answer, Warwick denied the allegations made in the Statement of Claim and asserted the following defenses: any damage or loss alleged by Claimant was caused by the conduct of its own agent to whom Claimant allowed actual and apparent authority to direct the activity in the accounts in question; the Statement of Claim fails to state a claim against Warwick upon which relief can be granted; the claims against Warwick are barred, in whole or in part, by the applicable statutes of limitation; the claims against Warwick are based on conduct that occurred with the knowledge of and was ratified by Claimant, which ratification bars any claim for relief by Claimant; the claims against Warwick are barred by the doctrines of waiver, estoppel, and laches; and the claims against Warwick for "commercial bribery" are barred under New York Penal Code Section 180.00 et seq. in that no private right of action for damages in a civil suit or proceeding is provided in that statute.

RELIEF REQUESTED

Claimant requested that the Panel enter an Award:

1. Awarding Claimant compensatory damages in the approximate amount of \$27,000,000.00, with interest at the statutory rate of 9%;
2. Awarding Claimant punitive damages in an amount the Panel deems appropriate;
3. Awarding Claimant its attorneys' fees and costs with respect to this arbitration; and
4. Referring this matter to the District 10 Business Conduct Committee of the NASD, Inc. for disciplinary proceedings.

Morgan requested an Award dismissing Claimant's claims against it with prejudice and denying Claimant any recovery against it. Morgan also requested that it be awarded the costs and disbursements of this proceeding, including reasonable attorneys' fees, and such other and further relief as may be appropriate.

Warwick requested that Claimant's claims against him be dismissed in their entirety, that Claimant be denied any recovery, and that Warwick be awarded the costs and expenses of this proceeding, including reasonable attorneys' fees, and such other and further relief as the Panel may deem appropriate.

OTHER ISSUES CONSIDERED AND DECIDED

Respondents Morgan and Warwick made a joint motion to dismiss at the conclusion of Claimant's case. After due consideration, the Panel decided to grant said motion and dismissed all claims against both Respondents with prejudice.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, the testimony and evidence presented at the hearing, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Claimant's claims are hereby dismissed in their entirety, with prejudice.
2. All requests for attorneys' fees are hereby denied.
3. All other requests for relief are hereby denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$ 300.00
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Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, J.P. Morgan Securities, Inc. is a party.

Member surcharge	= \$ 3,600.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 5,000.00

Forum Fees and Assessments

The Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

Three (3) Pre-hearing sessions with a single arbitrator x \$300.00	= \$ 900.00
Pre-hearing conferences:	
March 6, 2000	1 session
May 22, 2000	1 session
September 15, 2000	1 session

Two (2) Pre-hearing sessions with Panel x \$1,500.00 = \$ 3,000.00

Pre-hearing conferences: February 28, 2000 1 session
March 19, 2001 1 session

Thirty-One (31) Hearing sessions x \$1,500.00 = \$46,500.00

Hearing Dates: October 17, 2000 2 sessions
October 18, 2000 2 sessions
October 19, 2000 2 sessions
November 1, 2000 2 sessions
November 2, 2000 2 sessions
November 3, 2000 2 sessions
December 11, 2000 2 sessions
December 12, 2000 2 sessions
December 13, 2000 1 session
February 6, 2001 2 sessions
February 7, 2001 2 sessions
February 8, 2001 2 sessions
April 2, 2001 2 sessions
April 3, 2001 2 sessions
April 4, 2001 2 sessions
May 14, 2001 2 sessions

Total Forum Fees = \$50,400.00

The Panel has assessed all of the forum fees against Claimant.

Fee Summary

1. Claimant be and hereby is solely liable for:

Initial Filing Fee	= \$ 300.00
<u>Forum Fees</u>	= <u>\$50,400.00</u>
Total Fees	= \$50,700.00
<u>Less payments</u>	= <u>\$ 1,915.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$48,785.00

NASD Dispute Resolution, Inc.

Arbitration No. 99-00781

Award Page 6

2. Morgan be and hereby is solely liable for:

<u>Member Fees</u>	= \$ 9,200.00
<u>Total Fees</u>	= \$ 9,200.00
<u>Less payments</u>	= \$ 9,200.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

All balances are due and payable to NASD Dispute Resolution, Inc.

NASD Dispute Resolution, Inc.
Arbitration No. 99-00781
Award Page 7

ARBITRATION PANEL

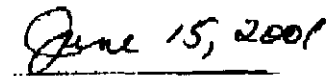
Fred S. Pieroni	-	Public Arbitrator, Presiding Chair
Mary Ellen Burns, Esq.	-	Public Arbitrator
Joel G. Soren	-	Industry Arbitrator

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Fred S. Pieroni
Public Arbitrator, Presiding Chair



Signature Date

Mary Ellen Burns, Esq.
Public Arbitrator

Signature Date

Joel G. Soren
Industry Arbitrator

Signature Date

June 26, 2001

Date of Service (For NASD office use only)

ARBITRATION PANEL

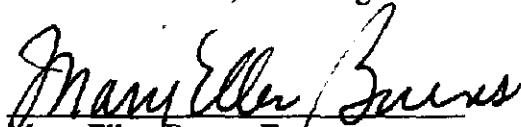
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